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P R O C E E D I N G S

MR. ZUPAL: Welcome everyone, and thank you for attending our bimonthly Catalyst Funds portfolio managers open house conference call. Before we begin I'd like to remind everyone today's call may include forward-looking statements. These statements represent the firm's belief regarding future events that by their nature are uncertain and outside of the firm's control.

The firm's actual results and financial condition may differ possibly materially from what is indicated in those forward-looking statements. Please take a moment to review fund's fact sheet and prospectus before investing. These documents include some important risk considerations that every investor should carefully consider such as investment objectives, risks, charges and expenses. This and other information can be obtained by calling our internal sales staff at (646) 827-2761, on our website www.catalystmutualfunds.com or reaching out to your regional wholesaling representative.

On the call today we have Ed Walsak (phonetic) and Kimberly Rios (phonetic), who are the managers on the Catalyst Hedge Futures, HFXAX, and Catalyst Hedge Commodities, CFHAX funds. Ed Walsak is a senior portfolio manager here at Catalyst Funds and is responsible for the day-to-day management of the Hedge

Futures and Hedge Commodities funds. Additionally, Ed has been portfolio manager of the Hedge Futures predecessor fund, Harbor Assets, since its inception in 2005 until its conversion to an Act '40 mutual fund in September of 2013. Mr. Walsak has a bachelor's degree in physics and economics and Middlebury College and a master of business administration from Harvard University's Graduate School of Business.

Kimberly Rios, portfolio manager on the funds, received her bachelor degree in finance and economics from the University of Arizona, additionally received her CFA designation in 2001. And also, Kimberly holds a Chartered Financial Analyst CMT designation through the Market Technicians Association, which she got in 2014.

And just as a reminder, folks, at any time you could hit star then 5 if you do have a question. Please hit star then 5. That will put you in the queue. Everyone will be on mute until the Q&A period at which time you'll hear your line become unmuted. I will announce you by your area code and prefix of your phone number. You'll hear your line come unmuted, and you could ask Ed or Kimberly a question.

So at this time, I will turn the call over to Ed and Kimberly. Guys, all yours.

MR. WALSAK: Thanks, Mike. And good morning,

good afternoon to everyone on the call. Again, I'm appreciate your interest and confidence in the fund. I'm going to give you an update and try, as I usually do, to be as brief as possible to allow for questions at the end. I'll give you an update on the S&P fund. Kimberly will talk through the commodity fund, and then we'll take your questions.

So for those of you who have been on prior calls relative to the S&P fund, more of the same, and what that means is we continue to see a choppy, somewhat upward moving currently market. But more importantly for us -- since we don't really trade direction more importantly for us we see those typical volatility conditions where we see -- as I mentioned, on strategy calls, we look at the term structure of volatility.

We look at what levels of volatility are assumed or built into options at different times expiration, usually at monthly intervals, 30, 60, 90, 120, 150 days, and that's -- and on that curve, 120, 150 days is kind of the maximum places that we trade options.

So at any rate, the volatility environment is again that typical normal technically called a contango situation, and that's where the VIX is very inexpensive. Whenever you see a VIX, the VIX these days is in the 13-ish neighborhood, 14 on some days. When you see a VIX

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that low, you can almost without worrying too much about what that curve looked like -- looks like you can be pretty confident that it's in contango, meaning the VIX is cheap.

So what we're doing is we're looking for more volatility Deluxe rate first and foremost when the VIX is cheap and the curve is in contango, meaning 120 days instead of seeing a 13 and a half volatility like the VIX, 120 days out we might see 16 or 17 volatility. So that's better for what we do, and that's, essentially, where we place our trades. We're placing trades currently in September expiration, and we're doing that both in traditional options expiration, which is the third Friday of the month in September, and also end of month.

We found over time that we get good liquidity in end-of-month options, which are no different other than they expire on the last business day of the month instead of the third Friday. So that gives us some additional places to trade, and in both of those circumstances we're getting volatility is actually up in the 17-ish neighborhood. So we like that.

But generally speaking, from a strategy standpoint, that's all we're doing. We're doing upside price caps. We're using call spreads because when we

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have these kind of contango volatility conditions that's what our strategy tells us to do. I've mentioned in past calls that we have maintained and attempted as much as possible to maintain some of our volatility exposure to the downside that we are able to put on really way back into February when market conditions pointed us in that direction.

As I mentioned, and it continues to be the case, we have less and less ability to do that. The volatility conditions are not favorable to put on those trades, so what we do is we use existing positions to kind of hedge ourselves knowing that we're putting on some trades, you know, less than optical scenario with the real intention of simply extending some of that put exposure out as far as we can.

Well, there's a very limited -- we have a limited capability to do that under the rules of our strategy in these volatility conditions, so every time I speak to you, every time a week goes by or a month goes by those positions, essentially, start to fade away and roll off.

And what that means is we do have some -- still have some volatility positions below the market, but, as I've said in past calls, it would take a fairly significant volatility spike and, obviously,

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corresponding significant downside move. "Significant" means to really move the needle we would probably need to see about a 10 percent decline, and then we would actually still start to make a little bit of money on those put options.

What would be more likely the case is during that 10 percent decline you would see that contango volatility curve. The VIX would spike. The curve would flatten. We'd start to put on positions, and once we were down 10 percent we'd probably be in pretty good shape to profit from additional decline.

And that's pretty typical for our strategy. That's kind of where we are today. If we did nothing and you saw a 10 percent decline, you might see 50 basis points upside in the fund just to give you a perspective. Those are real approximate numbers, but I want to give you a perspective that you wouldn't see a major impact from an increase in volatility. At this stage that would be a scenario where we'd be putting on positions in hopes, so to speak, or where they would profit should volatility continue.

So right now we are very much fully invested in upside price capture through our call option structures. We've already taken profits off the table in the third week June expiration. That's an expiration that's a week

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from Friday. In hindsight, we left a little money on the table, but as we get near to expiration we have some guidelines in our strategy that says let's take something off the table because as you get to expiration you have that situation where if you have some profits in long call option positions and the market reverses even for a week or so, then those profits will evaluate -- evaporate. Sorry.

So we chose to take some money off the table in June. However, we still have positions on in end of June expiration so roughly four weeks from today, and those positions will be profitable S&P 2110 to 2106. So good news is we're in that range now, and should the market continue to kind of grind higher, we'll do fairly nicely in that end of June expiration.

A couple of minor pieces of bad news. At end of June expiration based on market conditions is one where we're not a heavy concentration of positions there. We could -- we could make some money, but it's not as full a load of positions as we do in other expiration months. But still, you know, we're talking 150, 200 basis points potentially, which is really what we target in a given expiration. This one's a little bit light but still gives some opportunity.

The ideal situation -- for those of you that

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love to watch this stuff, the ideal situation would be about 2135, 2140 at the end of the month of June in the S&P. The other thing you'll see happening, however, is that if we do hit 2140 or even 2150 that would be great for our end of June position. That's a little too far, a little too fast for some of our July, August, September positions. They're in place a little bit higher, but they have a little bit longer to go.

So some of the appreciation in our June positions will be offset by a temporary decline in the value of the other positions based on the market going a little too far a little too fast. But that's -- that's the nature of our strategy. That's something we encounter all the time, so we happily put the profits from June in the bank and then manage the subsequent positions going forward.

So I think it gives you a little bit of a flavor, and I can expand on any of the positioning that I've just talked about in the Q&A session. So let me stop there and turn the floor over to Kimberly to talk about the commodity fund.

MS. RIOS: Thank you very much, Ed. I would like to add where we are year-to-date. The S&P Fund is up about 4 and a quarter percent, and the hedge commodity is up just under 8 percent year-to-date. As we were

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discussing, the VIX right now is trading under 14 for the S&P, but for the gold, oil and corn we want the higher volatility. Right now the gold volatility is about 18. Oil is around 35. Now, that's down from about 42 from a month ago. And then corn had a nice vol spike this weeks. It's in the high 20s, low 30s. That has allowed us to add some more positions above the market.

So we'll start with corn. Right now corn for June -- and June's going to expire here just on the 24th. So the next couple weeks we look like it to be under 430. And then in July, we flip that. We would like it to be above 430. If something were to happen and the market goes down, we do have a profit range in July for 370 to 330 below.

For corn, though, corn works -- it's the same thing with too far, too fast. That really is very true in corn. If the market goes too far in corn, we can get hurt until it kind of stables out or gives us a little bit more time for those options to do their magic.

For gold, in June and July, we have downside peaks. If the market were to go down, like, 4 to 5 percent, 4 to 5 percent, we have some peaks down in that range, about 1175. And then for the upside in July, we're -- we have a profit range all the way up to 1355.

And then for oil we are in a very sweet spot

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right now. We would like oil to hang out here for about another week. Oil for June expires on the 16th. About $50 is our ideal point, but our profit range right now that we're targeting is between 47 and 52 for next week. And then into July our peak is at 55, but we have a very large opportunity anything above the market from here on out. In all three markets, we have positions all the way out until September.

For oil, we still have nothing below the market. None of our parameters are telling us that we should be trading there. Corn, we have some positions below the market, but most of our positions are above the market. And gold we have both above and below the market. So that's an update for the commodity fund. I'll send it back to you, Ed.

MR. WALSAK: Sure. And Mike, if you can take over, I think we're ready to take some questions on either or both of the funds.

MR. ZUPAL: Sure. Thanks, guys. Once again, folks, if you do have a question, please hit star then 5 to place yourself in the queue. Ed and Kimberly, we actually do have a few questions that were emailed in advance here. I'll start off with the easiest one here.

This is a question from UBS team out in Spokane. They said, "Ed, about a year ago you had

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mentioned there were a couple books you would recommend for people wanting to learn a little more technical information about the type of trading you do. If you could just give the names, authors of those books that would be much appreciated."

MR. WALSAK: Sure. We kind of update the things that we look at. And I don't want to give people books, so I looked at back in 1988 when I was learning about options. So we can send you a list. The most current information about options trading and some of the spreads we use I found is at the options industry website, which is oig.org, and it's an industry website be designed not to sell you something or to -- it's not a broker site that's looking for you to open an account and obtain some commission. It truly is an industry site that is interested in having people learn more about options and ultimately trade options. But they have some great educational tools on that site.

My son is an avid learner of options, being 24 years old, and that's the site I recommended to him to go and begin to build his knowledge base. So I can put that recommendation behind oig.org. Lots of good stuff there. And we can send you some texts for those folks who -- information who want to look at an e-book or an actual printed copy as well.

MR. ZUPAL: Okay. Great. Appreciate that. Yeah. I'll catch you offline if there was any specific books that he thought you might have mentioned. He wasn't -- he wasn't particular there.

The next question I had emailed in was from a team out in Denver. "The S&P fund was up significantly on Friday, this past Friday. That was attributed -- what was that attributed to, and can you help us understand the funds impressive rally since the drawdown in April?"

MR. WALSAK: Sure. Those are some great questions and probably some things I omitted from my overview, so excellent questions because those are important things to describe. So the relatively large move on Friday -- they're actually both related on different time frames, so let me actually take the longer time frame, meaning move off of the drawdown in April.

So the drawdown in April was, basically, caused by again a move too far too fast as we came off those February lows, but, again, too far too fast is not a bad thing because of the time element in options, meaning you see a drawdown like that, and you think, wow, the market's got to reverse itself to recover, or, you know, the positions are bad; you got to exit them and take the losses and start over. And that's not really the case. In fact, that's never the case in what we do.

The risk management we use is almost -- almost never forces us into actually taking a loss on a position. In other words, if you're in an equity portfolio and you buy a stock and you've got good risk management, you've got at some point where you're going to get out of that position. And when you get out of that position, you buy a stock at 50. You say, look, my uncle point is 45. I'm out at 45. You lost five bucks. You've got to go find a way to make that $5 back is sort of the end of the story.

In our case, we actually very rarely from a risk standpoint have to exit a position because options are hedging instruments. We simply hedge our risk, and that allows us to stay in a trade until they do what we want them to do. And if they don't do what we want them to do, then typically it ends up in a break even type scenario.

So when you see a drawdown, it's normally -- normally, we're still in those positions, and we still have an opportunity for time and price to come together and make us some money. So that's really what happened. We went into a drawdown. We were very comfortable with where we were positioned, but the market popped a little too high, a little too far, which means the call ratio spread that we use went negative.

However, they were still -- in other words, so our profit range, for example, on some of those positions were 2100 to 2150. The market got to 2100 just a little too quick. That caused those positions to go negative, but still the market was still in a place where we like those positions, 2100 to 2150, but our short options appreciated faster than our long options. That happens in these positions. So that caused a drawdown.

Well, meanwhile, the market kind of chopped around and stabilized, and you wake up on Friday and you say wow, now we're at 2100, and the time is right. And so the short options have started to lose some of their value. The long options have retained their value because they're close to the market -- that's the idea behind the strategy -- and the fund recovered.

So it was, basically, a case of the market going where we wanted it to go, went there too quickly causing a drawdown and then stabilized and remained where we wanted to be, which caused these positions to not only come back from the drawdown but also begin to make money as they were intended when we put them on.

So both those happened in terms of the fund's performance coming out of this drawdown and also on Friday. Friday is a little more localized but the same kind of thing. We were a little bit past where we'd like

to be in some of the positions. The market had a modest decline on Friday, and that gave us a pretty nice move to the upside because we moved from a little bit past our sweet spot where we started to tip over, so to speak, and started to lose money because the market was going higher too far, and it came back right into the sweet spot of these option positions, which caused a nice up move on Friday.

The other thing going on these days is we are in the middle of positions that are near to expiration, so you'll get some more volatility in the fund because we got option positions not only that are nearer to expiration when options get more volatile but also because we're very -- we're in those profit ranges, meaning the market is bouncing around the exact strike prices of some of the options, and it also introduces volatility.

In other words, if I told you I had positions on at 2100 to 2150 in June and the market were at 1950, well, those options are going to be nearly worthless. They're not going to react to the market. The funds are going to be kind of sitting still. Those same positions with the market right at 2100 that 2100 call option with every move in the market is moving pretty significantly, and so you'll see more activity in the fund.

But the same reasoning behind coming out of the drawdown and really Friday's move is just the market moving around in a place where we have our sweet spot. A little bit beyond it the market holds still or moves back into the sweet spot we make some money. If we're below the sweet spot and the market moves up into it, we make some money. So those are the types of dynamics that give you those price moves.

MR. ZUPAL: All right. Thanks very much for that, Ed. I do have one more email question. I got a couple folks in the queue. Just sit tight. And again, if you do have a question, hit star then 5 and put yourself in the queue. The last question revolves -- and this is from Axateam (phonetic) in New York City, surrounded around the stress testing and drawdown.

And it goes as follows: What would be the, of course, worst case black swan scenario for the fund? What is the max drawdown you are shooting for given your stress test, the risk parameters? And if you could speak a little bit more to if you see a significant drawdown when you're doing the stress test. If, like, for example, there was a 10 percent drawdown or move up in the market which caused the fund to fall out of your 4 to 6 percent drawdown parameters, how do you -- how do you change the portfolio to mitigate that potential risk in

the fund?

MR. WALSAK: Yeah. Those are all great questions because, as I've mentioned before, risk management, in my mind, is the key to outperforming as a portfolio manager, as opposed to really chasing returns. Managing risk is the secret, so I'm always very happy to talk about that.

So the first thing pure and simple is our metrics are dialed in to limit our drawdown to 8 percent. There's no guarantees in the world, especially in markets, but that's our goal in everything we do is to keep our drawdown to 8 percent. And since we established these metrics they're -- basically, in their current form were established in mid-2007.

After we had a drawdown when the fund was in its private form, we had a large drawdown that I felt was unacceptable and so did a lot of work on risk management at that point and what factors contributed to the drawdown as a risk and came up with the structure and stress testing that we use today the goal being to limit a drawdown to 8 percent.

Subsequent to that time we've been successful in doing that. I think our largest is actually a shade over 8 percent but less than 9, and that actually occurred in 2014 in the fourth quarter. So that's our --

that's our metric. Our methodology is to look at stresses on the portfolio. So we enter put trades when volatility does certain things. We enter call trades when volatility does certain things. We enter those trades in different expiration months, different strikes. We end up with a pretty complex portfolio of options positions. They're all entered for many different reasons at different times, but they all comprise a fairly complex portfolio.

So even if you're an options guy, if you look at a portfolio statement, you have no chance whatsoever of understanding how that portfolio will behave under different market conditions unless you have fairly sophisticated options modeling software, which, of course, we do.

So in that software, we have our portfolio built, and we can then take stresses and say what if, and we do lots of what ifs, and we do it graphically, meaning instead of, sort of, throwing darts at the wall and saying what if the S&P goes to 2150 next week, and we figure that out, and then what if it goes to 1900 at the end of the month, we do it graphically so we can see an overview, meaning we look at a graph, and along the bottom of that graph is the price of the S&P, and along the vertical axis of the graph is the value of the

portfolio.

So we can see a curve that says here's how the portfolio is going to behave as the market moves back and forth in price. Now, for us in options, we have two other very important variables to consider. One is volatility, and one is time, and neither of those are factors if, for example, you were looking at an equity portfolio, but for us it's very important.

So as we look at that graphic we actually see -- in a base case, we see five different lines on that graph of what the portfolio value would look like, and those five lines are five different points in time. So we can now see what happens if the S&P goes up 25 points tomorrow, if it's up 25 points at the end of the month, if it's up 60 points three weeks from now.

And again, without having to consider so much data that you can't manage it we can see it graphically in terms of the curves at different points in time. And then, of course, enters the most important variable in options pricing, and that is volatility. So it's actually less important about where the price of the S&P is than where volatility or the simplest form is the VIX.

So fortunately, within our options software not only does the software automatically anticipate based on past behavior what will happen to volatility -- in other

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words, the software knows that if the market's down 10 percent volatility is going to be higher, and it uses historical data to project how much higher it will be, and that's reflected in the portfolio value of these options that we look at. And similarly to the upside we know that volatility is likely to decline.

So the model is very sophisticated. It lets us look at portfolio values under a wide variety of scenarios, and it does it continuously so we don't have to pick random points. However, we do pick stress points, and what we look at is a plus or minus side and 10 percent price excursion and also a minus 15 percent excursion because we all know that downside moves can be larger and more rapid, generally speaking, than upside moves.

So we look at all these stress points on those curves across time for places in which the portfolio values would cause us an unacceptable drawdown. And so when we identified that there's an unacceptable risk against our 8 percent parameter, we now use that same modeling software to figure out what to do about it.

Part of the question, I think, Mike, was, all right, you find some risk. How do you mitigate that risk? Well, the good news is, as I mentioned earlier in the overview, is options contracts are risk management

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tools in essence. Many people use them to speculate, but they are risk management tools, meaning put options were invented to protect an equity -- an individual equity or equity portfolio from decline. If have you a stock and you're worried about it declining, you buy a put option.

So if we see, for example, that a large market decline -- this would be very rare, by the way, because in our portfolio we try to avoid downside risk, but if, for example, we saw that a 10 percent market decline would throw the portfolio into a 12 percent drawdown, well, the first thing we would look at is let's buy some puts. And maybe we're short some puts somewhere that we can repurchase and take off the table, or maybe we can buy two puts and sell one put to help us pay for the ones we bought, for example.

So we then go in, and, in fact, most of the time we're using the same structures that we already have in place in the portfolio -- call ratios, spreads, put diagonals -- but we can vary strikes and ratios. And so we go in and we model what do we need to do to take this risk off the table, and so we spend a lot of time on that, actually, because, as I said, risk management contributes more to return, I believe, than does the actual return strategy itself.

So that's really, you know, at the highest

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level what we're doing. We're stressing the portfolio using some pretty sophisticated modeling tools, and then, when we find an out-of-bounds situation, so to speak, we then jump right back in. We have a whole tool set of risk management antidotes, so to speak, in the form of option contracts and positions we already use to try and make some money. So we jump in and we move our strikes around, and we buy and sell different put options until that risk goes away. And so that's what we do as kind of a risk management overview.

So we like to be in a position and, in fact, we are -- I can't remember since 2007 that we were not in this position. There is never a scenario where we wake up one day, and there's a panic in the market, and we scratch our heads and say, oh, my gosh, we've got to get out of that position. We've got to do something.

We try to be a couple of chess moves ahead of that part of the portfolio management because we modeled that scenario a week ago, and we already took steps so that if the market is down 5 percent tomorrow that was part of our model from a week ago, and either it didn't cause us a problem in the model, so we're fine, or it did cause us a problem, and it's already fixed before it happens. That's the type of approach we like to take.

MR. ZUPAL: All right. Great. That's a good

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clarification there. Just one quick follow-up. When you reference that max drawdown of about 8 percent, what's, like, your time frame on that? Is that just a max drawdown of 8 period, or is that over the course of a month or three months? Like, when --

MR. WALSAK: Well, when we talk about a drawdown -- yeah. When we talk about a drawdown, Mike, the standard way of defining a drawdown is peak to valley over any time frame; in other words, an 8 percent drawdown from the highest level the fund has achieved until the lowest it ever achieves before it sets a new high. That's the standard industry definition of a drawdown, and that's what we use.

So it's not a situation where we're down 8 percent, start over, and we lose another 8 percent next month. No. The goal is to never be more than 8 percent in the hole from your highest ever value, and we've been successful in that since 2007.

MR. ZUPAL: Okay. Okay. I just -- I just wanted to clarify on that point. I've got a question here in the queue. And once again, folks, if you do have a question, please hit star then 5. First question comes from Area Code 631. 760 your line is now open.

PARTICIPANT: Hi. It's Stephanie from HighTower. Just a quick question. You were pretty

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specific on target S&P prices on the upside. I know you had mentioned 10 percent, what happened in a 10 percent decline, but are there more strike prices that you could be more specific on the downside? And then if you could just quickly recap, you know, what would happen in a sharp decline and what would happen in a prolonged, you know, 5, 10, 15 percent decline over a number of months?

MR. WALSAK: Sure. So for a long decline over a number of months is our favorite scenario. We haven't really seen it for a period of time, unfortunately. But when I talk about strike prices to the upside, it's not meaningful really on the downside. I'll talk a little bit about where our positions are, but if you recall, our strategy has two parts, and they're actually very different.

So the upside we care about price because that's how we like to make money. We buy call options, we sell call options, and we create ranges in which the long options will make money, and the short options will go away, essentially. And that allows us to capture some upside in the market knowing that if the market never gets there both options long and short will expire and will break even.

So we love to have the scenario where we can make money if the market goes higher, and we break even

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if the market goes lower or sideways. And then our risk is the fact that the market goes right through that range we selected, and we're, essentially, then short the market. That's where our risk is, and that's what we have to manage to the upside.

So that's where we can give profit ranges, then. As I mentioned, end of June we're in a 2110, 2160 type scenario, and as we go out further we actually see those ranges get higher. Give you an example. All the way out in September, the end of September positions that we're building now are really in the 2175 to 2225 neighborhood on the S&P as we get out that far. But that's why ranges are important to the upside because we are looking for upside price capture, but we don't take downside risk to go after it.

Now, we don't do anything like that below the market because below the market -- when equity markets decline, price is very unpredictable. I think it probably seems reasonable to people when I talk about those type of numbers out in September because you think about it what if the -- if the S&P is at 2250 at the end of this year, I think if you think about it for a minute that would be a reasonable number. No big surprises there.

If I said to you the market's going down, where

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could it go down to? Well, if you look at history, when markets go down, they're completely out of control. S&P could be very easily at 1850 at the end of June, and that would be a historical -- historically very normal sort of, you know, sudden waterfall decline because that's what happens.

So the downside we want to take price out of the equation, and we want to play volatility expansion. We want to put option positions in place that will blow up in value for us just because volatility went higher. I don't care about price. In fact, the only thing I care about the price of the downside is make sure that we don't have price exposure to the downside.

So we have positions, to give you an idea, options positions long and short in the 1750 all the way down to 1400 neighborhood in the S&P. And you scratch your head and say, wow, not in my lifetime I would see those numbers again, and that's exactly what we like. We want price to be out of the equation. One way is to get very far away from the market. The other way we use is we have multiple put options in place relative -- long put options relative to any short ones we have.

So we hedge away our price exposure using put options, and then we buy and sell put options that are designed to increase in value when volatility spikes.

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And then, if volatility spikes for a period of time, we can continue to do that, and we can make some money.

So that's what we're doing below the market, and so the price range and strikes are really unimportant because our goal is to make price not matter underneath the market, to not take downside risk and to only look for volatility expansion to make money.

MR. ZUPAL: Stephanie, does that answer your question?

PARTICIPANT: Yeah. We're good. Thank you.

MR. ZUPAL: Okay. All right. Thanks very much for the question. We always appreciate that, Stephanie. We do have one more question in the queue. And once again, folks, if you do have a question, star then 5. I'm going to call last call for questions here.

Next question comes from Area Code 646. 952, your line is now open.

PARTICIPANT: Hey, Ed. It's Mike Baldoff (phonetic) here. Thanks for doing the call. I just had a quick question for you based upon how much of the returns you get is from premium collection? And if you wouldn't mind using 2015 as an example, you know, what percentage of the 8 percent that you were up last year came from premium collection, and, you know, has that changed over time?

MR. WALSAK: Sure. The real short answer is we don't use premium collection to earn a return, and that has changed over time. Early in the fund's existence, particularly in 2006 and 2007, premium collection was an important part of the strategy. However, subsequent to 2007 and really subsequent to 2009, really beginning in 2009 premium collection disappeared entirely as a standalone means of earning a return.

Let me tell you what that means. A premium collection means you go out and you sell an option for two bucks, and you hope it goes to zero or to 10 cents or 20 cents, and you buy it back, but you're trying to make money simply by selling something that's going to time decay and expire, and so we don't really do that. I shouldn't say really. We don't do that.

What we do is we put on option spreads. We want to take time to (inaudible) of the equation. In other words, you buy a call, and your risk is that you pay ten bucks for that call, and it expires, and you lost ten bucks. So we buy a call for ten bucks. We sell two other calls for $5 apiece. We are in this trade for zero money, and if everything expires, we break even. That's what I keep talking about.

So how do we make money on this trade? We're not going to make money when everything expires. We

break even. We make money when, like I said, we get into a profit range on the call options, and we make some money, or we buy an option, we sell an option, volatility spikes, and the one we bought doubled in value. The one that we sold goes up by 50 percent, and the net is we make money.

So we're making money by volatility. We're making money by price. We're not making money by selling options. We only sell options as a part of a spread to take our time decay risk off the table. Again, time decay risk means you buy an option. You pay money for it. The clock ticks, and the option expires. You lose money. We want to take that off the table. That's the only reason we have a sole part of our options spread.

Now, the other part, to get a little deeper, when we do use premium collection -- in other words, there are times when we go into the market, and we buy and sell options, and the net of it is we take in money. The only time we do that is when the portfolio has a net long option exposure, and we're in that situation now.

To give you an idea, in fact, on Friday, at the end of the day on Friday, the options portfolio was long $50 million. So you look at this portfolio, and you add up the value of the long options, and you add up the value of the short options, and the net was a long

position of $50 million.

So the good news is that represents some of that -- a big part of that profit coming out of our drawdown and also a part of the move on Friday to make money. The positions behaved like we wanted them to, and all of a sudden we're sitting on $50 million of option (inaudible). So now we have the problem that if we do nothing it's very likely that that 50 million will decay with time, so now we want to go into the market.

We use our same spreads, our ratio spreads or our put spreads depending on conditions -- right now it's ratio -- we go into the market, and we say now instead of buying an option for ten and selling two or five, I'm going to look to buy one for ten, sell two for six. Now I can take $2, put on my same spread, but take $2 off the table.

So in that scenario, I have certainly collected premium, but that's still not how I'm trying to make money. I'm making money from the price range on that spread, and the only reason I'm taking in premium is because I now have time decay risk in the portfolio because I've made money upon previous spread.

So that's the story behind premium collection. It's not really something we do to make money because it oftentimes has an adverse risk/return profile. In my

first example of premium collection, if you sell an option for two bucks and hope it goes to zero, all you can make is two bucks. You can never make more than two bucks. Can that option go to 20 so you just lost $18? It sure can, and that's the negative risk/return profile of prior premium collection. That's why we stay away from it as a means of earning return. We use our existing structures as a credit to pull a long option premium off the table when that long option premium builds up in our portfolio and presents an actual time decay risk to us.

PARTICIPANT: That was perfect. Thank you, Ed.

MR. ZUPAL: All right. Thanks for that question, Mike. I don't see any other questions in the queue, so at this time I just want to -- for those of you still on the line here -- oh, we did get one more question in here. Bear with me, Ed. Area code (404) 760 your line is now open.

PARTICIPANT: Hey, Ed, this is Don Wilson from Brightworth. Not currently invested with you guys but just trying to learn more about the strategy, but very interesting. Is there a return target that you're seeking or an expected return that you think the strategy generates over time? I know you've talked a lot about the downside risk, but are there ever scenarios where you

would expect to exceed that 8 percent that you for some reason don't choose to mitigate that risk when you're modeling it in your software?

MR. WALSAK: Sure. Let me -- I always have trouble with multiple part questions because my memory is short, I think. So let me try to start at the beginning, and let me know if I don't get it all. So -- and see, I've already forgotten the beginning part of the question now.

PARTICIPANT: The beginning part was just do you have a return target, a return expectation --

MR. WALSAK: Yeah, yeah. Okay. Yeah, return expectation. So that's -- I'll give you the short answer. The short answer is yes. We like to keep up with the S&P. We like to make money in all market conditions, so we're definitely an absolute return fund. You will never hear me say to you that the market was down 30. Good news, we were down 25. That's just -- that just doesn't make any sense to me in terms of while we beat the market we only lost 25 percent of your money. Good for us.

That doesn't make a lot of sense to me, and it doesn't make a lot of sense to me even to tell you that we're down 10 percent, and the market was down 30 because we still lost 10 percent of your money, and you don't

give us your money to lose money.

So we're an absolute return fund. We expect to make money. And Mike can replay the disclaimer about forward-looking results, and all that good stuff, but I can tell you we manage the fund and certainly expect to make money in all market conditions. So we're an absolute return fund.

We expect to make at least as much money as the S&P fund because of two reasons. Historically, we've been able to do that despite the fact that past returns do not guarantee future results. I see no reason why what we've done in the past is not possible going forward, and so we expect to match the market. We've been able to do that in most conditions, in upward conditions.

And so that tells you that it is normal for our strategy to be able to deliver returns in the high single digits, occasionally low double digits in what I would call a normal low volatility advancing market. That's been our history. That's been -- that's how we structure our positions to give us that opportunity. And of course, as with all strategies, what the market does on any given day, week, month or year will determine -- and how it does it will determine how well we actually do, but that's our goal. And particularly with us, you know,

our typical trading horizon is anywhere between 90 and 150 days, and we can't help that because options expire. We can't hold them for five years even if we wanted to. So because of that short term -- relatively short-term trading horizon it becomes a little more important how the market behaves.

In other words, if the market's going to end up 10 percent plus for the year, if that happens a little less than 1 percent a month slow and steady, we're probably going to be in pretty good shape. If that happens -- if the market slacks for 11 months and goes up 10 percent in December that's not good for us.

So there's a lot of variables in there, but overall we would expect to match an S&P return high single digits, low double digits when that's what the market's doing. If the market's up 30, we're going to struggle. We don't like real strong upward markets because that's where we take our risk, above the market, not below.

Below the market when we have increased volatility in declining markets, especially in markets that decline for longer than a week or two, then I mentioned we have volatility strategies that allow us to take advantage below the market. Most importantly, our goal is not to have price risk below the market. So

worst case scenario at least our planned worst case scenario is that the market declines, and we break even.

If volatility stays high for a month or two, we could usually make some money on that, and if it stays very high for longer than a month or two, then we can make a lot of money because volatility can really cause options values to explode, and we generally position ourselves to take advantage of that.

So those are some characteristics about -- of how the fund behaves. Let me ask you to repeat the back half of your question if I've caught the first half correctly.

PARTICIPANT: Yeah. Thank you. First half was great. Second half was you talked about positioning your portfolio to limit to an 8 percent downside, and if your model shows something more than that, you will reposition to try to capture that. Do you ever choose not to do that, or are there extreme scenarios where you're not modeling that could -- obviously, anything can happen, but are there, I guess, extreme scenarios where that could still take place, more than 8 percent downside or drawdown?

MR. WALSAK: Sure. You can always -- you correctly said you can always imagine a scenario, and we run into this as we -- we talk quite frequently to risk

managers both at advisory firms and at our broker partners, and you can always imagine a scenario. I mean, I could say to you, "What if the market opens down 50 percent tomorrow?" Well, you know what? In some situations, in some portfolios, actually not in ours, that would cause a problem.

And so you have to ask yourself, look, I'm in this business to make money. Making money really means managing a risk/return tradeoff. So if you want to stay away from losing money in a 50 percent market decline, you probably put your money in Treasuries or a shoebox. So we try to manage extreme but also extreme real world scenarios.

So first of all, our strategy is such and we position ourselves -- and we think this is attractive to many investors. We position ourselves in any market scenario not to have downside risk. Now, it's impossible to have zero downside risk, but any downside risk we have is very, very limited. And I can tell you -- and again, it's real world stuff. So where do we look for real world?

We look for 2008 marketplace. We look at all those daily swings of 8 or 10 percent or October where the market was down 30 percent in a week and a half or two weeks, whatever it was when LINA (phonetic) went

under. We look at extreme but extreme real world. If I can go back to 2008 and not find a market decline of 17 percent in a day, for example, well, I'm not going to model 17 percent in a day just because it happened once in 1987.

So we're taking extreme real world scenarios -- we don't take downside risk anyway -- and we model those. And not only that we model those across different time frames. So we look and then we say, you know, is it realistic to say the market's going to be down 15 percent at the open tomorrow? Probably not, but 15 percent in a week? That's actually very realistic, so we're going to model that. But we're not going to get quite as excited about a little bit of a stress if we see that, yeah, market down 20 percent at the open tomorrow, portfolio down 5 percent. I don't think I would react to that, but market down 20 percent in a week, portfolio down 10 percent I would react to that.

So that's to give you maybe a little bit of a qualitative flavor for how we look at things. And I think the other thing I would suggest is the fund has been around with this -- pretty much this same strategy under my management since 2005. And if you recall and pull up a chart and just think about market conditions since 2005, nice grinding-up trend, massive up move in

2013, 2008 volatility in dynamics, 2010 flash crash, 2011 U.S. debt downgrade. I would challenge you to bring forward a market condition that would be real world that has not occurred yet, has not occurred during that time frame.

So for me, you can hypothesize all day long about what might happen and what it might do to the strategy and how our risk controls might react to it. Your best guideline is to say let me see if there's a market scenario, and I bet you can go find it in an actual audited performance record about how the strategy would behave. And if you can think of one that hasn't happened, actually send Mike Zupal (phonetic) an email so I make sure I included it in my risk stresses if we haven't done so already.

PARTICIPANT: Thank you. One more question, if I can. As far as asset size, is that any constraint for you today, and is there a size of the fund at which you would look at closing it to make sure you could continue to do what you want to do?

MS. RIOS: Sure. That's a great question, and it's something we have experienced. We've been very fortunate to experience tremendous growth in the fund over the last two and a half years, and so we do look carefully at capacity.

Naturally, it has not been a constraint for us so far because we -- I am a fiduciary with shareholder money. We don't chase assets at the expense of return. So we look very carefully at ensuring that we can execute trades and earn the type of returns and execute our strategy as we have in the past. However, at the same time, we're very, very cognizant of trying to anticipate when that may not be the case and guard against it and do what we can in advance to avoid having to close the fund.

We've experimented with some things to reduce our inflows, some successful, some less successful just to challenge ourselves to manage the size of the fund without having to do a hard close, for example. But in the interim, we've been working very, very aggressively on both execution on the floor to ensure we still get trades that are executed at fair prices and also capacity with brokers.

We have right now half a dozen different brokers who hold our positions, and each of them restricts how much of our type of portfolio they'd like to hold. So we have to continue to expand that base, and we work very hard at those two parameters. But at this point, we're executing. We have some different techniques we use about the size of our trades and the frequency of our trades to also help us make sure we get

good execution.

So we work very actively on that both from making sure we're doing the right things today, making sure that we are preparing as best we can for future growth and also understanding when the day comes that we see that we cannot get bigger without affecting returns that we have a plan in place to stop those inflows right there because that's what we have to do.

PARTICIPANT: Thank you.

MR. ZUPAL: Okay. Perfect. And thanks for asking that last part. I actually just got an email question asking about capacity issues as well. So thank you very much for that. All right. I don't see any other questions in the queue, Ed.

Folks that are still on the line just a reminder the next call will be June 28th. So we're actually going two weeks without a call here. We'll do the call again on Tuesday, June 28, same time, 1:00 Eastern, 10 a.m. Pacific. That's Tuesday, the 28th.

If you do have any questions in the interim, feel free to call us here in the internal sales desk at (646) 827-2761. You could email us at info@catalystmutualfunds.com or catalystmf.com, info, i-n-f-o@catalystmf.com. Do appreciate you taking the time out of your day to listen in on the call and look

forward to speaking with you all in a couple weeks. Ed, Kimberly, thanks again and also as well for taking the time out of your day. Folks, this concludes the call. Thanks very much and talk to you soon. Bye.

(End of recording.)

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